



Goldman Sachs Value Equity Strategy Profile

Goldman Sachs Asset Management's Value Equity Strategy emphasizes both price and prospects. Rigorous, first-hand fundamental research is used to seek to identify quality businesses selling at compelling valuations.

Clients in Goldman Sachs Asset Management's Value Equity portfolios can benefit from the expertise of seasoned investment professionals, their strong, team-based approach to research and stock selection, and their application of industry-specific metrics in valuing each prospective investment idea.

Investment Objective

The primary goal of Goldman Sachs Asset Management's Value Equity Strategy is to seek long-term capital appreciation as the market recognizes the true value of quality companies. To achieve this goal, the Value Equity team seeks to:

- Outperform the appropriate value index over a full business cycle
- Derive excess return through superior stock selection
- Provide sector and capitalization-specific diversification with style consistency

Investment Philosophy

We believe that value investing begins with balancing price and prospects: investing in good companies opportunistically when they are undervalued. Rigorous first-hand fundamental research is the key to identifying these companies.

- Price: Good companies become undervalued when:
 - Uncertainty exists
 - Their real economic value is not recognized in the marketplace
- Prospects: Quality companies that have:
 - Sustainable operating/competitive advantages
 - Excellent stewardship of capital
 - Capability to earn above their cost of capital
 - Strong or improving balance sheets and cash flow



Strategy Benefits

- *Quality-oriented investment philosophy*
By focusing on both price and prospects, we aim to identify quality companies opportunistically selling at compelling valuations in a variety of market conditions.
- *Seasoned, integrated team focuses solely on value investing*
Portfolio managers who also act as analysts execute ideas quickly while maintaining individual accountability in a team-based environment.
- *Industry-specific valuation*
Across industries, we recognize that one valuation approach does not fit all. We use industry-specific valuation measures to capture real economic value by industry.
- *An intense research culture*
By meeting with a company's management, competitors, suppliers, and often, customers, we gain first-hand company perspectives and industry knowledge. In addition, we perform extensive independent financial analysis.

Investment Process

We emphasize stock selection based upon rigorous fundamental research and portfolio construction in a risk-managed context. Our process consists of three key elements.

1. Use industry-specific measures to evaluate universe

- Create a focus list for further research using industry-specific metrics to narrow the investment universe by valuation, profitability and business characteristics.
- Identify changing business trends or potential catalysts for improvement.

2. Perform in-depth fundamental research

- Conduct proprietary operational, financial and cash flow analysis to determine competitive advantage, profitability, transparency and industry dynamics.
- Test assumptions and assess management quality through meetings with company management, competitors, customers and suppliers.
- Develop investment thesis by utilizing company-specific valuation analysis to establish upside targets, downside risks, investment time horizons and potential catalysts.



3. Buy companies with quality characteristics

- Build portfolios from the bottom-up according to the risk/reward profile for each security. Provide broad diversification by owning our best value ideas in each sector.
- Continuously scrutinize market developments and industry and company exposures versus the benchmark to better track progress towards target prices and avoid any unintended macro bets in the portfolios.
- Monitor overall portfolio characteristics to maintain style and market cap consistency.
- Carefully track analyst recommendations and performance to ensure that financial incentives are aligned with clients' success.

Portfolio Management Team

The Value Equity Strategies are managed by a team of 25 investment professionals, including 13 portfolio managers who average over 18 years of financial experience (as of 9/30/08). The team is organized by industry with portfolio managers and research analysts focusing on a particular area of expertise to deliver depth and breadth of research views. Portfolio decision makers are actively involved in the research, which brings intensity and focus to our process and provides responsive implementation of our strategy.

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Past performance is not indicative of future results, which may vary. The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur.

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The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.

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